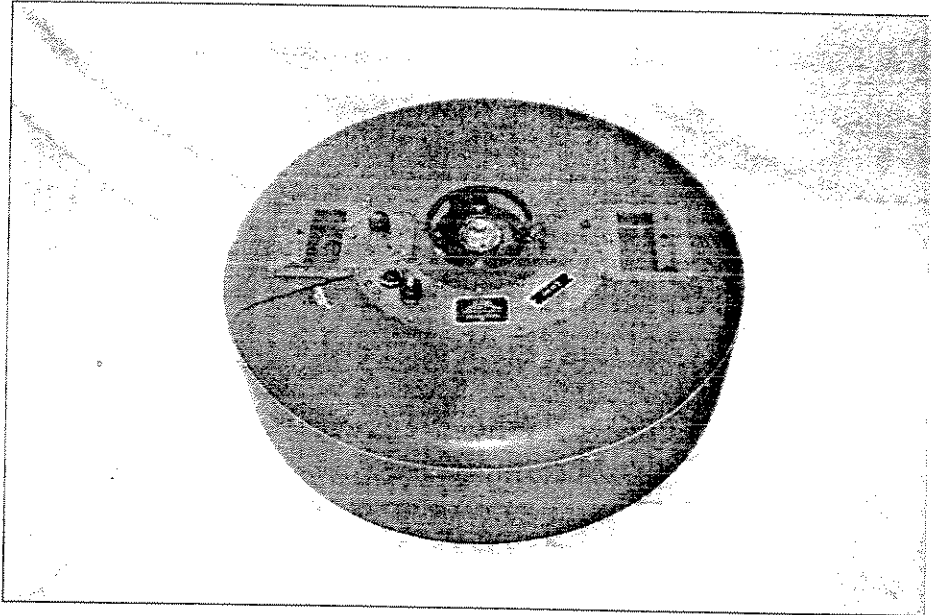


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code of 7, which indicates it is a classified item that requires protection in the interest of national security, in accordance with DOD 5200.1-R. Figure 11 shows a photograph of the all-band antenna obtained during our undercover penetration of security at DRMO A.

**Figure 11: All-band Antenna Obtained from DRMO A during the June 2006 Undercover Penetration**



Source: GAO.

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## DRMO B Penetration

Posing as employees for the same DOD contractor identity used during our June 2006 penetration at DRMO A, our investigators entered DRMO B a day later for the purpose of testing security controls at that location. DRMO officials appeared to be unaware of our security penetration at DRMO A the previous day. During the DRMO B undercover penetration, our investigators obtained the following items, most of which had demilitarization requirements.

**Body armor fragmentation vests.** Our undercover investigators obtained 10 body armor fragmentation vests with a total reported acquisition cost of \$290 from DRMO B. Although the protective capability of this body armor has been superseded by newer technology, it would still

provide firearm protection to terrorists or criminals. These fragmentation vests have a demilitarization code of E, which identifies them as critical items/materiel determined to require demilitarization, either key point or total destruction. Figure 12 shows a photograph of one the 10 fragmentation vests obtained during our undercover penetration.

Figure 12: Body Armor Fragmentation Vest Obtained from DRMO E during the June 2006 Undercover Penetration



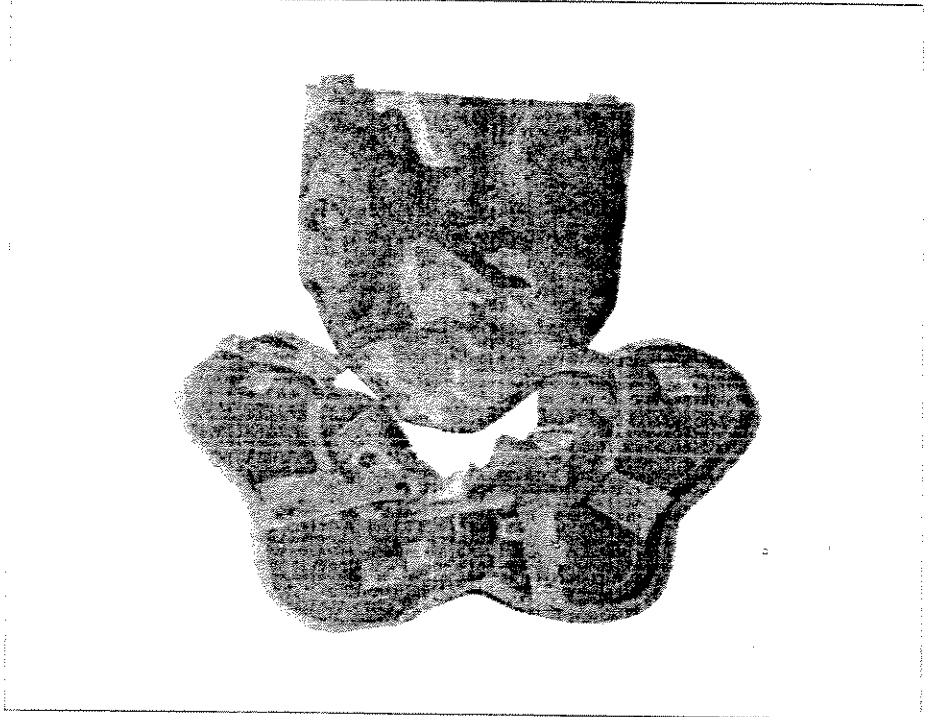
Source: GAO.

**Throat and groin protection armor.** Our undercover investigators also obtained a Kevlar throat protector related to the camouflage body armor. The throat protector had a reported acquisition cost of \$3.35 and a demilitarization code of D, which requires it to be destroyed when no longer needed by DOD. The groin protector, which is designed to hold a ceramic insert, had a reported acquisition cost of \$37.85 and a demilitarization code of D. Figure 13 shows a photograph of the throat and groin protection armor obtained during our undercover penetration at DRMO B.





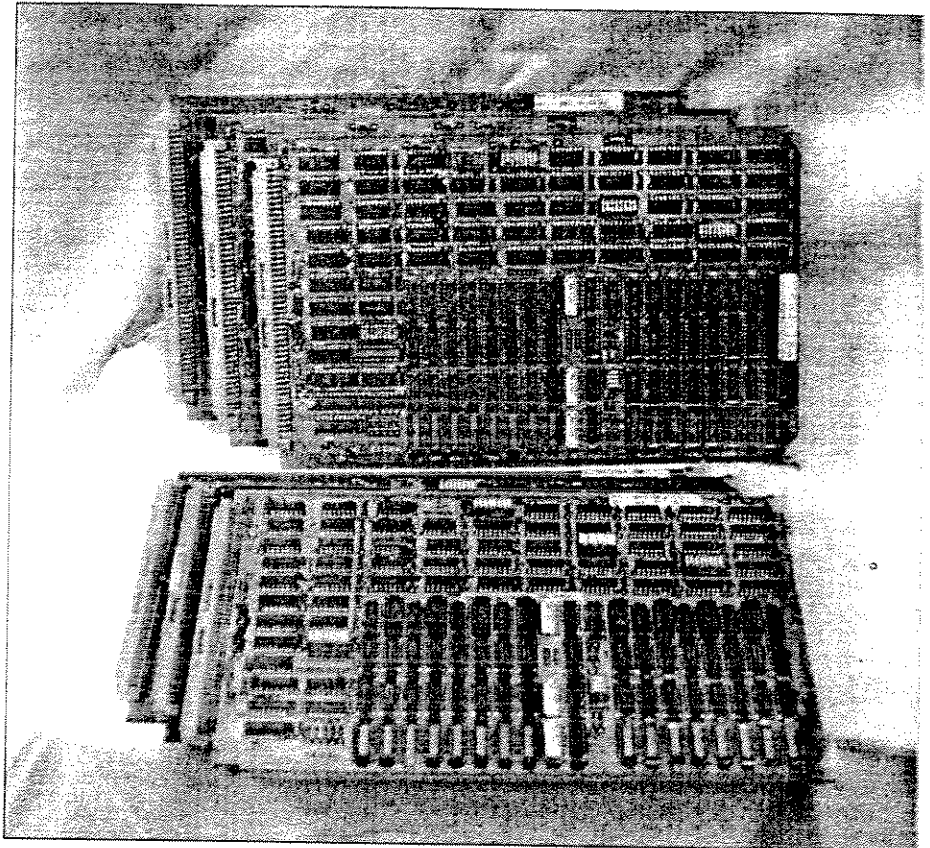
**Figure 13: Throat and Groin Protection Armor Obtained from DRMO B during the June 2006 Undercover Penetration**



Source: GAO.

**Circuit card assemblies.** Our undercover investigators obtained six circuit card assemblies with a reported acquisition cost of \$77,011 from DRMO B. The circuit card assemblies, which were turned in by the Naval Air Warfare Center, had a demilitarization code of D which requires them to be destroyed when no longer needed by DOD. A Lockheed Martin representative, who confirmed that his company manufactured the circuit cards we obtained, told our investigator that the circuit card assemblies are used in a variety of computerized Navy systems. The circuit cards also have a CHIC code of 7, which indicates they are classified items that require protection in the interest of national security, in accordance with DOD 5200.1-R. Figure 14 shows a photograph of the circuit card assemblies obtained during our undercover penetration at DRMO B.

**Figure 14: Circuit Card Assemblies Obtained from DRMO B during the June 2006 Undercover Penetration**



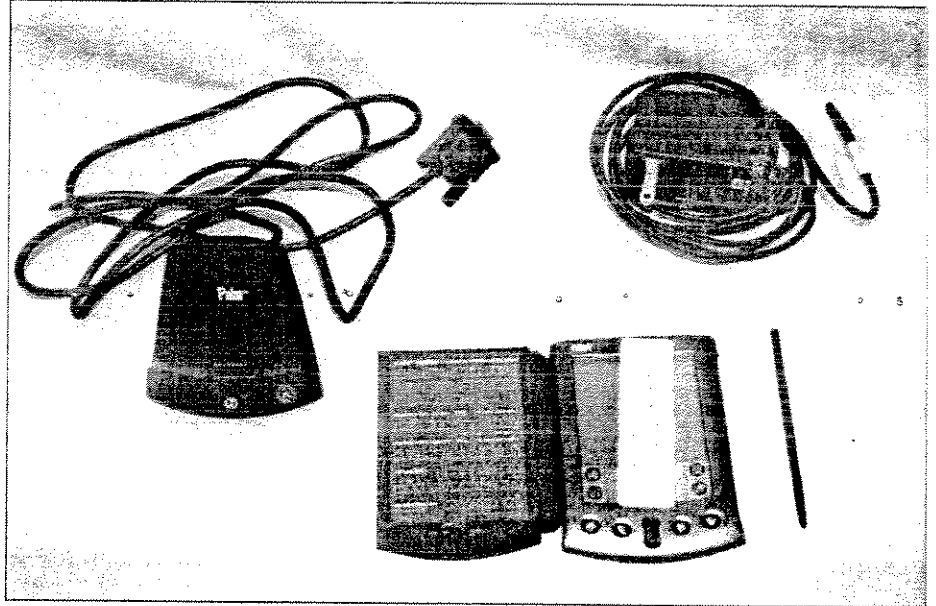
Source: GAO.

**Palm V Organizer PDAs.** During our undercover security penetration at DRMO B in June 2006, our investigators noticed two Palm V Organizer PDAs and accessories. The Palm PDAs had tags affixed to them which read "Certificate of Hard Drive Disposition/This certified hard drive was removed from CPU" and "Computer Casing Empty." Because PDAs do not have hard drives, after successfully requisitioning them, we asked our information technology (IT) security expert to test them to confirm that all sensitive information had been properly removed. Our IT expert used National Institute of Standards and Technology (NIST) utilities

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recommended for forensic analysis to run the tests.<sup>12</sup> Based on the tests, our IT expert determined that the RAM on both devices had been wiped clean of any trace of residual data, leaving only the normal information that a user would expect to find on an unused Palm V PDA. Figure 15 shows a photograph of one of the Palm V PDAs and related accessories obtained from DRMO B.

**Figure 15: Example of Excess DOD Palm V Organizers and Accessories Obtained from DRMO B during the June 2006 Undercover Penetration**



Source: GAO.

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<sup>12</sup> NIST Pub. 800-72, *Guidelines on PDA Forensics* (November 2004).

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## Waste Associated with Sales of A-Condition Excess Items that Military Services Are Continuing to Use in Operations

Because significant numbers of new, unused A-condition excess items still being purchased or in use by the military services are being disposed of through liquidation sales, it was easy for our undercover investigator to pose as a liquidation sales customer and purchase several of these items for a fraction of what the military services are paying to obtain these same items from DLA supply depots. For example, we paid \$1,146 for several wet-weather and cold-weather parkas, a portable field x-ray enclosure, high-security locks, a gasoline engine that can be used as part of a generator system or as a compressor, and a refrigerant recovery system used to service air conditioning systems on automobiles. The military services would have paid a total acquisition cost of \$16,300 for these items if ordered from supply inventory, plus a charge for processing their order.<sup>18</sup> It was easy for us to purchase new, unused items that are in demand by the military services because of the limited scope of DOD's actions to address this problem.

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## Undercover Purchases of New, Unused Items that DOD Is Continuing to Buy or that Are in Demand by Military Units

Our undercover investigator used a fictitious identity to obtain a DOD liquidation sales customer account and purchase several new, unused excess DOD items that the military services are continuing to order from supply inventory or use in operations. The following discussion describes examples of the new, unused excess DOD items that we purchased.

**Wet-weather parkas.** In March 2006, our undercover investigator purchased 10 new, unused excess DOD wet-weather parkas with the manufacturer's tags still attached from DOD's liquidation sales contractor. Although Army combat units have begun using an upgraded version of the parkas, they are a nondeteriorative item, and Army training units and other military services are continuing to use them in military operations. However, after the New Jersey Army National Guard turned in the unused items as excess to their needs, the parkas were transferred to DOD's liquidation contractor for sale instead of being returned to supply inventory for reissue. We paid \$87 for the 10 wet-weather parkas, which had a total reported acquisition cost of a \$359. Figure 16 shows a photograph of one of the wet-weather parkas our undercover investigator purchased at the public liquidation sale.

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<sup>18</sup> As noted in our May 2005 report, the weighted average cost for warehousing and shipping all supply items was 20.7 percent in fiscal year 2003.



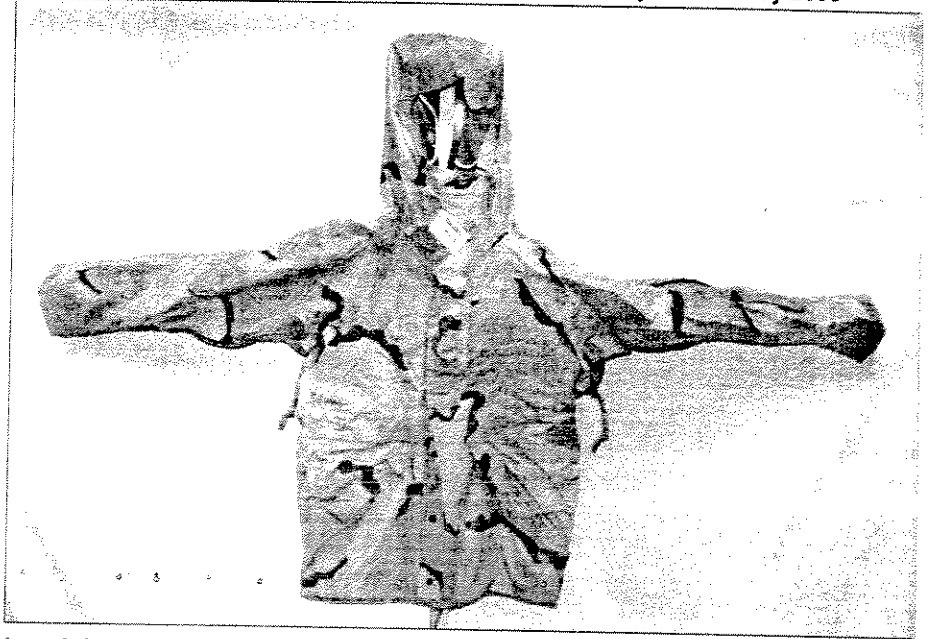
Figure 16: Example of New, Unused Wet-Weather Parkas Purchased in March 2006



Source: GAO.

**Cold-weather parkas.** In May 2006, our undercover investigator purchased 10 excess DOD cold-weather desert camouflage parkas from DOD's liquidation sales contractor. Although the parkas were listed as being in H condition (unserviceable, condemned condition), they were advertised as new. We paid a total of \$373 for these 10 parkas, which had a total reported acquisition cost of \$1,468. After receiving the parkas, we noted that all of them appeared to be unused and 7 of them still had the manufacturer's tags attached. According to a Defense Supply Center, Philadelphia official, these cold-weather parkas are nondeteriorative and are currently stocked and issued to the military services. The cold-weather parkas, which were ordered in support of Operation Enduring Freedom, were turned in as excess by the Al Udeid Air Base, in Qatar. Instead of being returned to inventory for reissue, the new, unused parkas were transferred to DOD's liquidation sales contractor. Figure 17 shows a photograph of one of the excess new, unused parkas that we purchased.

**Figure 17: New, Unused Cold-Weather Parka Purchased by GAO in May 2006**



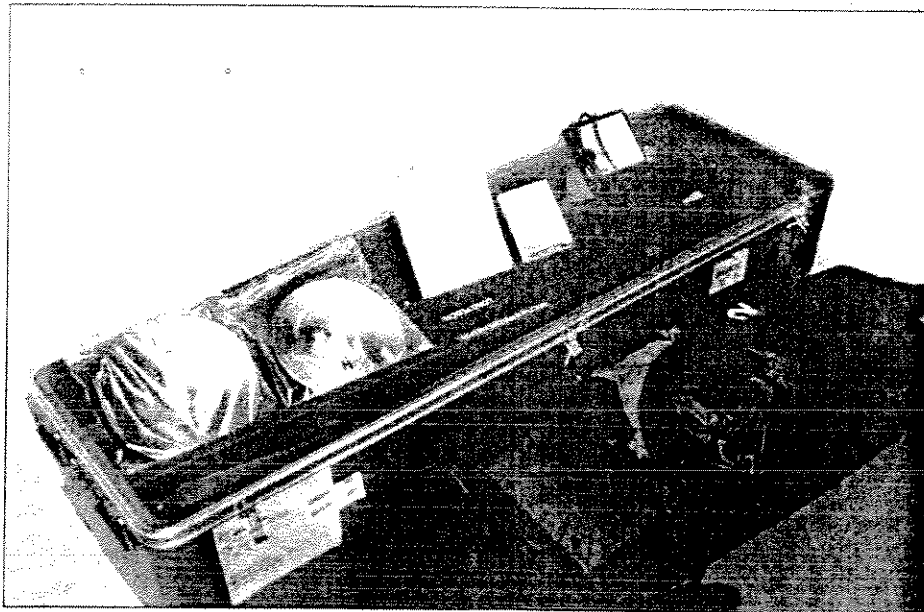
Source: GAO.

**Portable field x-ray processing enclosure.** In April 2006, our undercover investigator purchased a portable field x-ray processing enclosure with a reported acquisition cost of \$7,235. We paid \$87 for this item. We received the x-ray enclosure in May 2006, after approval of our bogus Food and Drug Administration (FDA) certificate. DOD's liquidation sales contractor requires buyers of medical and laboratory equipment items that are subject to federal regulation to submit FDA certificates as a condition of sale. On the FDA certificate, the buyer certifies that he or she is a licensed medical practitioner or person regularly and lawfully engaged in the manufacture or refurbishing of the medical device listed and agrees to assure that items resold will not be adulterated or misbranded within the meaning of those terms in the Federal Food, Drug and Cosmetic Act (*codified at 21 U.S.C. Ch. 9*). A manufacturer official told our undercover investigator that the x-ray enclosure that we purchased is manufactured and sold to DOD on an as-needed basis. The official stated that there is no shelf-life issue associated with this product. In addition, a Defense Supply Center, Philadelphia official assigned to the X-ray Equipment and Supplies/Biomedical Systems Office of the Technical, Quality, and Packaging Staff responsible for x-ray equipment and supply items advised

us that the x-ray enclosure is currently used by the military services, and the Army is the primary user. The supply center official noted that the enclosure is a depot-stocked item. However, after checking the inventory system, the official told us that there were currently none of these items in stock. The supply center official confirmed that the enclosure has no shelf-life issues.

At the time we purchased the x-ray enclosure, 40 identical x-ray enclosures with a reported acquisition cost of \$289,400 were sold for a total liquidation sales price of \$2,914. Figure 18 is a photograph of the excess DOD portable x-ray enclosure that we purchased over the Internet. The enclosure is stored in an oversized foot-locker-type container approximately 5 feet in length.

**Figure 18: New, Unused Portable Field X-ray Processing Enclosure Purchased in April 2006**

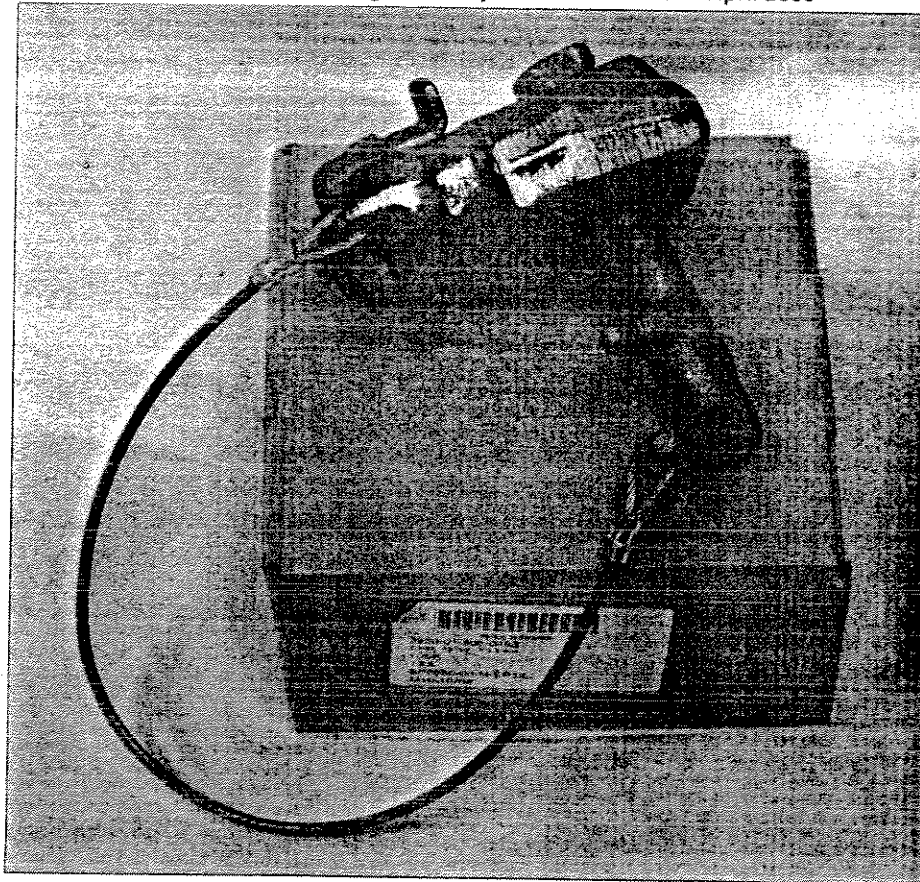


Source: GAO.

**High-security locks.** Our undercover investigator purchased 20 new, unused high-security locks from the DOD liquidation sales contractor in April 2006. The locks, which were in the original manufacturer's boxes, had a total reported acquisition cost of \$1,675, and we paid a total of \$59 for

them. We contacted the manufacturer, whose representative told us that his company sold DLA 100 of these locks in September 2005. The representative explained that the locks are used to secure the back bay of logistics trucks. He said that his company was not aware of any problems with the locks. A U.S. Marine Corps unit in Albany, Georgia, turned the locks in as excess, and they were not returned to inventory for reissue. At the time we purchased the 20 locks, DOD's liquidation sales contractor had advertised a total of 19 lots consisting of 480 locks for sale. Six of the 19 lots, with a reported total acquisition cost of \$18,423, sold for \$365. Figure 19 shows a photograph of one of the excess DOD high-security locks that we purchased in April 2006.

**Figure 19: New, Unused DOD High-Security Lock Purchased in April 2006**

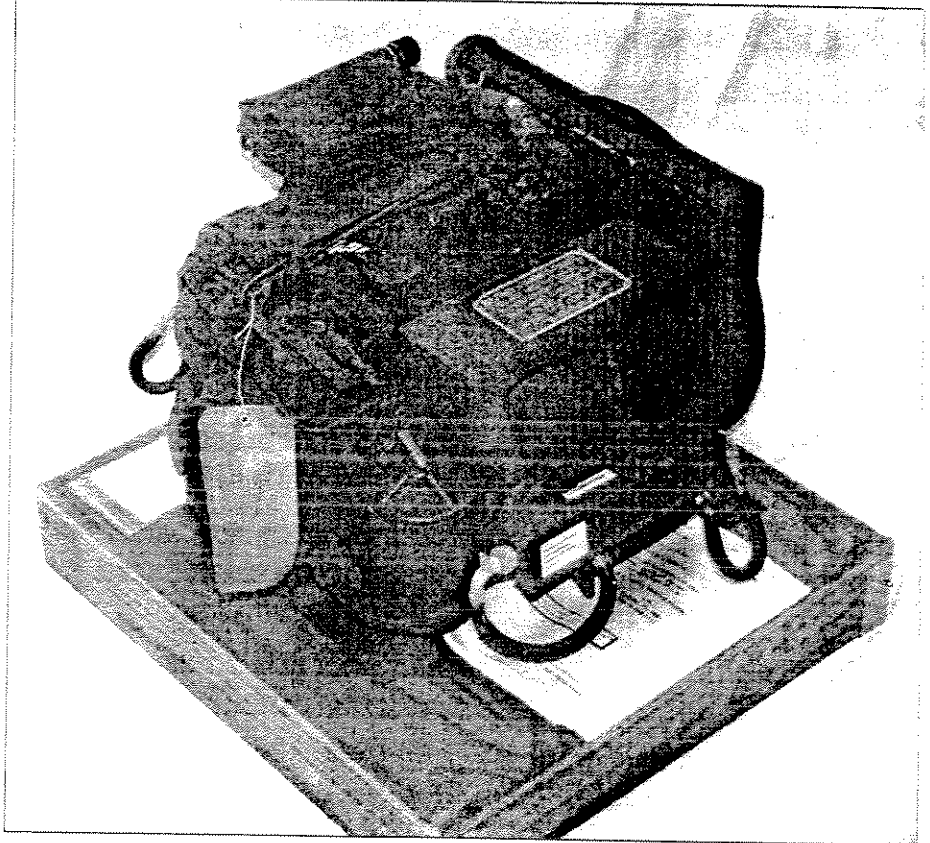


Source: GAO.

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**Gasoline engine.** Our undercover investigator purchased a new, unused Teledyne 4-cylinder gasoline engine in March 2006. The engine, which was manufactured in the 1990s, is part of a generator unit. It can also be used with a compressor. According to FedLog data, the engines are required to be issued until current supplies are exhausted. The item manager for this engine told our undercover investigator that DLA currently has about 1,500 of these engines in stock and they are still being issued, primarily to Army National Guard and Reserve units. He said that the Air Force and the Marine Corps also use them. He noted that the Marine Corps ordered 4 of these engines in June 2006. We paid \$355 for the gasoline engine, which had a reported acquisition cost of \$3,119—the amount the Marine Corp paid for each item, plus a service charge. At the time we purchased this unit, a total of 20 identical gasoline engines with a total reported acquisition cost of \$62,380 were sold for a total liquidation sales price of \$6,221. Figure 20 shows a photograph of the gasoline engine that we purchased.

Figure 20: New, Unused DOD Gasoline Engine Purchased in March 2006



Source: GAO.

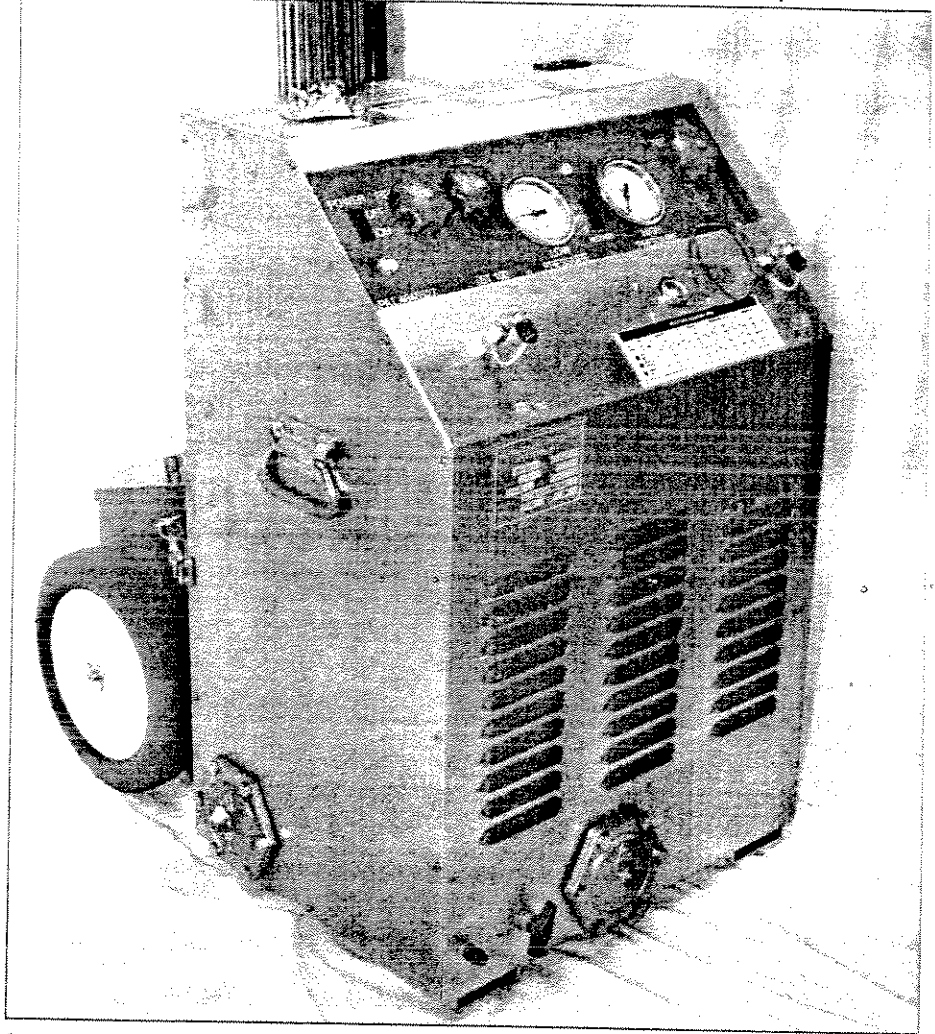
**Refrigerant recovery system.** In April 2006, our undercover investigator purchased a new, unused excess DOD refrigerant recovery system Model ST-100A. This is a portable system designed to recover and recycle R-12, R-22, R-500, and R-502 refrigerants at the rate of 2 to 3 pounds per minute. According to a manufacturer representative, the unit that we purchased is designed to recover refrigerants from small systems, such as those in automotive vehicles. We paid a total of \$185 for the new, unused refrigerant recovery system, which had a reported acquisition cost of \$2,445. According to a Refrigerant Recovery Systems, Inc., representative, this item is still being purchased and used by DOD. The refrigerant recovery system that we purchased was likely turned in as excess by the Army Risk Assessment Modeling System (ARAMS) Project Office located in

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Chesapeake, Virginia. ARAMS turned in nine identical excess recovery systems in January 2006 that appeared to have been sold during the liquidation sales event at which we made our undercover purchase. These 9 refrigerant recovery systems, which had a listed acquisition cost of \$22,004, sold for a total liquidation sale price of \$1,140.

When our undercover investigator went to pick up the refrigerant recovery system that we purchased, he found that it was stored outside and exposed to weather. As a result, the box the unit was stored in had become wet and the filters included with the unit had become soaked. Figure 21 is a photograph of the excess DOD refrigerant recovery system that we purchased.

Figure 21: New, Unused Refrigerant Recovery System Purchased in April 2006



Source: GAO.

### Limited DOD Actions to Assure Reutilization of New, Unused Items

Although DLA and DRMS implemented several initiatives to improve the overall reutilization rate for excess A-condition items, our analysis of DRMS data found that the reported reutilization rate as of June 30, 2006,



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remained the same as we had previously reported—about 12 percent.<sup>14</sup> This is primarily because DLA reutilization initiatives are limited to using available excess A-condition items to fill customer orders and to maintain established supply inventory retention levels. As a result, excess A-condition items that are not needed to fill orders or replenish supply inventory are disposed of outside of DOD through transfers, donations, and public sales, which made it easy for us to purchase excess new, unused DOD items. The disposal of items that exceed customer orders and inventory retention levels is an indication that DOD bought more items than it needed. In addition, several of the items we purchased at liquidation sales events were being ordered from supply inventory by military units at or near the time of our purchase, and for one supply-depot-stocked item—the portable field x-ray enclosure—no items were in stock at the time we made our undercover purchase, indicating continued waste and inefficiency.

DLA and DRMS initiatives resulted in a reported \$38.1 million in excess property reutilization savings through June 2006. According to DLA data as of June 30, 2006, interim supply system initiatives using the Automated Asset Recoupment Program, which is part of an old legacy system, achieved reutilization savings of nearly \$2.3 million since July 2005, while Business System Modernization supply system initiatives, implemented in January 2006 as promised at the June 2005 hearing, have resulted in reutilization savings of nearly \$1.1 million. In addition, DRMS reported that excess property marketing initiatives implemented in late March 2006 have resulted in reutilization savings of a little over \$34.8 million through June 2006. These initiatives include marketing techniques using Web photographs of high-dollar items and e-mail notices to repeat customers about the availability of A-condition items that they had previously selected for reutilization.

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## Corrective Action Briefing

On June 28, 2006, we briefed DOD, DLA, DRMS, and military service management on the results of our investigations. We discussed the causes of the control breakdowns we identified with regard to security of sensitive excess military equipment and provided our perspectives on ways to address the following problems.

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<sup>14</sup> GAO-05-277 and GAO-05-729T.

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- Some military units and DLA supply depots recorded incorrect demilitarization codes to excess military property items and in some cases improperly included these items in batch lots before sending these items to DRMOs.
  - DRMO personnel failed to verify the recorded demilitarization codes when they processed receipts of excess military property.
  - The limited scope of DLA and DRMS compliance reviews is not sufficient to detect problems with incorrect demilitarization codes.
  - DOD's excess property liquidation sales contractor failed to verify demilitarization codes of items received and return items requiring mutilation or destruction to the DRMO for proper disposal.

The managers told us that they shared our concern about the breakdowns in security controls that allowed sensitive military items requiring demilitarization to be sold to the public. They asked us for pertinent documentation obtained during our investigations to support their follow-up inquiries and corrective action plans. We have provided this information. In addition, the managers told us that the DRMOs rely on access controls executed by the DOD installations at which the DRMOs are located to preclude access by unauthorized parties. During our briefing, we also pointed out that because the reutilization and marketing program permits public access to DRMOs and liquidation sales locations, it is most important to confirm the identities and requisitioning authority of the individuals who enter the DRMOs to screen and requisition excess property. With regard to reutilization program economy and efficiency issues, the DOD managers maintained that forecasting the correct inventory level is difficult and that some amount of excess purchasing is necessary to assure that inventory is available when needed. They also stated that there is a cost associated with retaining excess inventory for extended periods of time. We provided DOD documentation to show that the excess A-condition items that we purchased were continuing to be ordered and used by the military services at the time of our undercover purchases.

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## Conclusions

Our security tests clearly show that sensitive military equipment items are still being improperly released by DOD and sold to the public, thus posing a national security risk. The sensitive nature of these items requires particularly stringent internal security controls. Our tests, which were

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performed over a short duration, were limited to our observations, meaning that the problem may likely be more significant than what we identified. Although we have referred the sales of items identified during our investigation to federal law enforcement agencies for follow-up, the solution to this problem is to enforce controls for preventing improper release of these items outside DOD. Further, liquidation sales of items that military units are continuing to purchase at full cost from supply inventory demonstrates continuing waste and inefficiency in DOD's excess property reutilization program.

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## Agency Comments and Our Evaluation

We provided a draft of our report to DOD for comment on July 10, 2006. The Deputy Under Secretary of Defense for Logistics and Materiel Readiness responded that given the time allotted to comment, the Department was not able to do a detailed review and has no comments at this time. However, the Deputy Under Secretary also stated that the department continues to implement changes to our procedures based on recommendations in our May 13, 2005, report.<sup>15</sup>

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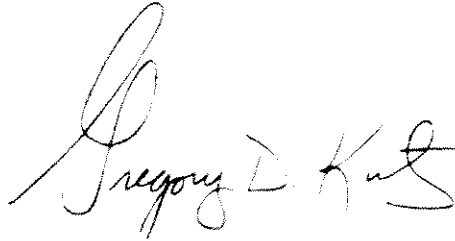
We are sending copies of this letter to interested congressional committees, the Secretary of Defense, the Deputy Under Secretary of Defense for Logistics and Personnel Readiness, the Under Secretary of Defense Comptroller, the Secretary of the Army, the Secretary of the Navy, the Secretary of the Air Force, the Director of the Defense Logistics Agency, the Director of the Defense Reutilization and Marketing Service, and the Director of the Office of Management and Budget. We will make copies available to others upon request. In addition this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

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<sup>15</sup> GAO-05-277.

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Please contact me at (202) 512-7455 or [kutzg@gao.gov](mailto:kutzg@gao.gov), if you or your staffs have any questions concerning this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are acknowledged in appendix IV.

A handwritten signature in black ink, reading "Gregory D. Kutz". The signature is fluid and cursive, with the first name "Gregory" being more prominent and the last name "Kutz" following in a similar style.

Gregory D. Kutz  
Managing Director  
Forensic Audits and Special Investigations

# DOD Excess Property Demilitarization Codes

Department of Defense (DOD) property is assigned a demilitarization code to identify the required disposition of items when they are no longer needed by DOD. Demilitarization codes are contained in the Defense Demilitarization Manual, DOD 4160.21-M-1 (1995), which implements DOD policy to apply appropriate controls (e.g., restrictions to use by authorized parties, destruction when no longer needed by DOD) over items that have a significant military technology application to prevent improper use or release of these items outside of DOD. These items include materiel that the Secretary of Defense has designated as requiring demilitarization, articles on the U.S. Munitions List (22 C.F.R. pt. 121), and certain articles subject to export controls because they are on the Commerce Control List established by the U.S. Department of Commerce (15 C.F.R. § 774, Supp. 1). Appendix 3 of the Manual provides the demilitarization codes to be assigned to federal supply items and coding guidance. The codes indicate whether property is available for reuse without restriction or whether specific restrictions apply, such as removal of classified components, destruction of sensitive military technology, or trade security control. The table below defines the DOD demilitarization codes.

**Table 1: DOD Excess Property Demilitarization Codes**

Demilitarization code	Required disposal action
A	Demilitarization not required
B	Military List Item (MLI) Non—Significant Military Equipment (SME) Demilitarization not required. Trade Security Controls required at disposition.
C	MLI (SME) – Remove and/or demilitarize installed key point(s) as prescribed in the Defense Demilitarization Manual, or lethal parts, components, and accessories.
D	MLI (SME) – Total destruction of item and components so as to preclude restoration or repair to a useable condition by melting, cutting, tearing, scratching, crushing, breaking, punching, neutralizing, etc. (As an alternate, burial or deep water dumping may be used when coordinated with the DOD Demilitarization Program Office.)
E	MLI (Non SME) – Additional critical items/materiel determined to require demilitarization, either key point or total destruction. Demilitarization instructions to be furnished by the DOD Demilitarization Program Office.
F	MLI (SME) – Demilitarization instructions to be furnished by the Item/Technical Manager.

Appendix I  
DOD Excess Property Demilitarization Codes

(Continued From Previous Page)

Demilitarization code	Required disposal action
G	MLI (SME) – Demilitarization required – Ammunition, Explosives, and Dangerous Articles (AEDA). Demilitarization, and if required, declassification and/or removal of sensitive markings or information, will be accomplished prior to physical transfer to a DRMO. This code will be used for all AEDA items, including those which also require declassification and/or removal of sensitive markings or information.
F	MLI (SME) – Security Classified Item – Declassification and any additional demilitarization and removal of any sensitive markings or information will be accomplished prior to accountability or physical transfer to a DRMO. This code will not be assigned to AEDA items. Items received at a DRMO with Demilitarization code F will not be processed for disposal without the required certificate of declassification and a certificate of demilitarization.
C	CCLI – Commerce Control List item. Demilitarization not required. CCLI are non-MLI and are dual-use (military, commercial, and other strategic uses) items under the jurisdiction of the Bureau of Industry and Security, U.S. Department of Commerce, through Export Administration Regulations ( <i>codified at 15 C.F.R., Ch. VII, Sub Ch C</i> ).
X	Indicates that demilitarization requirements of MLI applicability not determined by the Inventory Control Point. Local determination of demilitarization requirement is necessary prior to disposal action.

Source: DRMS Automated Information System (DAISY) C-A-T (Codes and Terms) reference guide (2nd ed. 2006); DRMS-I 4160.14, vol. IV, Supp. 1, "Codes Index" (November 2004); and DOD-4160.21-M-1, *Defense Demilitarization Manual* (1995).

# Excess Property Condition Codes

The Department of Defense's (DOD) condition code is a two-digit alphanumeric code used to denote the condition of excess property from the supply and the disposal perspective. The DOD supply condition code is the alpha character in the first position and shows the condition of property in the Defense Logistics Agency supply depot inventory, or is assigned by the unit turning in the excess property. The General Services Administration (GSA) disposal condition code, in the second position, shows whether the property is in new, used, or repairable condition, salvageable, or should be scrapped.

Table 2: Excess Property Condition Codes

DOD Codes	DOD Supply Condition Code	GSA Disposal Condition Code
	<b>Serviceable property</b>	
A1, A4 B1, B4 C1, C4 D1, D4, D7	<p><b>A – Issuable without qualification</b> – New, used, repaired or reconditioned property which is issuable without restriction, including material with a shelf life of more than 6 months.</p> <p><b>B – Issuable with qualification</b> – New, used, repaired or reconditioned property which is issuable, but is restricted from issue to specific units activities, or geographical areas by reason of its limited usefulness or short service life expectancy, including materials with a shelf life of 3 through 6 months.</p> <p><b>C – Priority issue</b> – Property is issuable to selected customers but must be issued before Condition A and B material to avoid loss as a usable asset, including materials with less than 3 months shelf life.</p> <p><b>D – Test/Modification required</b> – Property is in serviceable condition but requires test, alteration, modification, or conversion or disassembly.</p>	<p><b>1 – Excellent</b> – Property is in new or unused condition and can be used immediately without repairs.</p> <p><b>4 – Usable</b> – Property shows some wear, but can be used without significant repair.</p> <p><b>7 – Repairable</b> – Property is unusable in its current condition, but can be economically repaired.</p>
E7 F7 G7 H7	<p><b>Unserviceable property</b></p> <p><b>E – Limited restoration required</b> – Property requires only a limited expense or effort to restore to serviceable condition.</p> <p><b>F – Repairable</b> – Property is economically repairable but requires repairs, overhaul, or reconditioning to make it serviceable property.</p> <p><b>G – Incomplete</b> – Property requires additional parts or materials to complete the item prior to issue.</p> <p><b>H – Condemned</b> – Property has been determined to be unserviceable and does not meet repair criteria, including items whose shelf life has expired and cannot be extended.</p>	<p><b>7 – Repairable</b> – Property is unusable in its current condition, but can be economically repaired.</p>
	<b>Salvage property</b>	
FX, GX, HX (VX- Salvaged military munitions)	F – Repairable; G – Incomplete; H – Condemned	<b>X – Salvage</b> – Property has value in excess of its basic materiel content but repair is impractical and/or uneconomical.

Appendix II  
Excess Property Condition Codes

(Continued From Previous Page)

DOD Codes	DOD Supply Condition Code	GSA Disposal Condition Code
	Scrap property	
FS, GS, HS	F – Repairable; G – Incomplete; H – Condemned	S - Scrap – Property has no value except for its basic materiel content

Source: DRMS Automated Information System (DAISY) C-A/T (Codes and Terms) reference guide (12th ed. 2006). DRMS-I 4160.14 vol. II, Supp. 1 "Codes Index" (November 2004).



# Comments from the Department of Defense



DEPUTY UNDER SECRETARY OF DEFENSE FOR  
LOGISTICS AND MATERIEL READINESS  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

JUL 17 2006

Mr. Gregory D. Kutz  
Managing Director, Forensic Audits and Special Investigations  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Kutz:

This is the Department of Defense (DoD) response to the GAO draft report GAO-06-943 "DOD EXCESS PROPERTY: Control Breakdowns Present Significant Security Risk and Continuing Waste and Inefficiency," dated July 10, 2006 (GAO Code 192188). There are no recommendations provided in the report and based on the time allotted for providing technical comments, the Department was not able to do a detailed review. Therefore, the Department has no comments at this time. The Department continues to implement changes to our procedures based on the GAO report GAO-05-277 "DOD EXCESS PROPERTY: Management Control Breakdowns Result in Substantial Waste and Inefficiency," dated May 13, 2005.

We appreciate the opportunity to review the draft report.

*Jack Bell*  
(Jack Bell)



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# GAO Contact and Staff Acknowledgments

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## GAO Contact

Gregory D. Kutz, 202-512-7455

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## Acknowledgments

Staff making key contributions to this report include Mario Artesiano, Donald L. Bumgardner, Matthew S. Brown, Paul R. Desaulniers, Stephen P. Donahue, Lauren S. Fassier, Gayle L. Fischer, Cinnamon Glozer, Jason Kelly, John Ledford, Barbara C. Lewis, Richard C. Newbold, John P. Ryan, Lori B. Ryza, Lisa Warde, and Emily C. Wold.

Technical expertise was provided by Keith A. Rhodes, Chief Technologist, and Harold Lewis, Assistant Director, Information Technology Security, Applied Research and Methods.

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## GAO's Mission

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